

Message Text

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42

ACTION SS-30

INFO OCT-01 ISO-00 CCO-00 SSO-00 NSCE-00 DODE-00 CIAE-00

USSS-00 INRE-00 NSAE-00 /031 W

----- 048280

O 221115Z OCT 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 5269

INFO USINT ALGIERS IMMEDIATE

USMISSION EC BRUSSELS IMMEDIATE

USMISSION OECD PARIS IMMEDIATE

AMEMBASSY ABU DHABI IMMEDIATE

AMEMBASSY TEL AVIV IMMEDIATE

AMEMBASSY MANAMA IMMEDIATE

AMEMBASSY TRIPOLI IMMEDIATE

AMEMBASSY VIENNA IMMEDIATE

AMEMBASSY BEIRUT IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

AMCONSUL DHAHRAN IMMEDIATE

AMEMBASSY MOSCOW IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY TUNIS IMMEDIATE

AMEMBASSY AMMAN IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY SANAA IMMEDIATE

AMEMBASSY ROME IMMEDIATE

USINT CAIRO IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 4652

EXDIS

BEIRUT ALSO PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, SA, PFOR, SV

SUBJ: SAG CUTBACK IN OIL PRODUCTION: TWENTY-FIVE PERCENT OF
PROGRAMMED OCTOBER PRODUCTION

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REF: JIDDA 4639

SUMMARY: ARAMCO WAS ORDERED JUST BEFORE ANNOUNCEMENT OF
US/SOVIET RESOLUTION TO MAKE BOTH RPT BOTH A TEN PERCENT CUT-

BACK, (I.E. 820,000 BBL/DAY) AND EMBARGO SOME 800,000 BBL/DAY OF EXPORTS TO US FOR A TOTAL PRODUCTION NOV. 30 OF CIRCA 6.6 MILLION BBL/DAY, IN EFFECT MAKING SAUDI RESPONSE TO AMERICAN ARMS FOR ISRAEL A PRODUCTION CUT OF 25 PERCENT FROM PLANNED PRODUCTION OF 8.9 MILLION BBL/DAY. PENALTIES ARE CALLED FOR BY SAG AGAINST BOTH ITALY AND JAPAN IN METHOD OF ALLOTING REMAINING PRODUCTION, WITH UK EXEMPT "FOR THE MOMENT." ARAMCO HAS CONCLUDED THAT NATIONALIZATION AND BREAK IN RELATIONS WITH US IS POSSIBILITY IF NO RESULTS FOLLOW THIS ACTION. WE HOPE US/SOVIET INITIATIVE WILL HALT FURTHER SAG ACTIONS BUT EMBARGO APPEARS TO BE STILL ON FOR MOMENT. END SUMMARY.

1. FOLLOWING MESSAGE RECEIVED FROM ARAMCO PRESIDENT FRANK JUNGERS FOLLOWING MEETING WITH YAMANI OCT 22 (REFTEL):

QUOTE FOLLOWING IS THE FULL TEXT OF A CABLE SENT ON OUR DISCUSSION WITH YAMANI TODAY. I CAN'T EMPHASIZE TOO MUCH TO YOU THE GRAVITY OF THIS SITUATION. IT CERTAINLY IS CLEAR THAT THE U.S. GOVERNMENT HAS COMPLETELY MISEVALUED WHAT THE SAUDI'S REACTION WOULD BE AND MAYBE NOW A REALISTIC LOOK WILL BE TAKEN. THIS CABLE WAS HURRIEDLY PREPARED BUT TOMORROW I INTEND TO WORK UP A COMPREHENSIVE COMMENTARY WHICH I WILL ALSO SEND YOU A COPY OF.

QUOTE YAMANI THIS MORNING NOTIFIED US THAT HE WANTED AT 1:00 TO DISCUSS THE RECENT GOVERNMENT PRONOUNCEMENTS. SINCE I WAS EN ROUTE TO JIDDA TO SEE AKINS THIS MORNING IT WAS POSTPONED UNTIL ABOUT 2:00. PRESENT AT THE MEETING IN RIYADH WERE TAYLOR, MOFFETT, ALTER, YAMANI, AMID SAUD, FAHD KHAYYAL, AHMED ZAMIL, KHIDR HERZALLAH, FAROUK HUSSEINI, JAWAD SAQQA, IBRAHIM OBAID AND MYSELF.

QUOTE YAMANI OPENED THE MEETING BY TELLING US WE WERE THERE TO RECEIVE AN EXPLANATION AND GROUND RULES FOR IMPLEMENTATION OF THE PRONOUNCEMENTS. HE STATED THAT FOR DETAILED CLARIFICATION OF VARIOUS COMPLICATIONS THAT MAY ARISE DUE TO THEM THEY CONFIDENTIAL

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ARE APPOINTING A PERMANENT SUBCOMMITTEE CONSISTING OF FAHD KHAYYAL, AHMED ZAMIL, KHIDR HERZALLAH AND JAWAD SAQQA WHO WOULD WORK WITH US. YAMANI OPENED A FILE WHICH CONTAINED DETAILED INFORMATION THAT HAD OBVIOUSLY BEEN AGREED UPON BY THE COUNCIL OF MINISTERS OR AT LEAST THE OIL COMMITTEE AND THE NUMBERS THAT THEY USED FOR EXPORTS FROM OUR COMPUTER DATA RUN WHICH THEY HAD REQUESTED A FEW DAYS EARLIER AND WHICH SHOWED THE EXPORTS TO THE VARIOUS COUNTRIES FOR THE FIRST NINE MONTHS OF 1973 BY GRADE. THE TERMS OF THE CUTBACK ARE AS FOLLOWS:

(1) ARAMCO'S PRODUCTION SHALL BE CUT BY TEN PERCENT FROM THE SEPTEMBER TOTAL AVERAGE (OUR AVERAGE WAS 8291 MBD).

(2) IN ADDITION TO THE ABOVE CUT, REPEAT IN ADDITION, IN TOTAL VOLUME WE MUST SUBTRACT ALL SHIPMENTS TO THE UNITED STATES EITHER DIRECTLY OR INDIRECTLY INCLUDING MILITARY.

(3) THE ABOVE OF COURSE TO INCLUDE REFINED PRODUCTS.

(4) AS TO INDIRECT SHIPMENTS HE MENTIONED THOSE CURRENTLY GOING TO TRINIDAD, CANADA, BAHAMAS, REFINED PRODUCTS TO GUAM, ANTILLES AND PUERTO RICO - PLUS AN AMOUNT TO SAUDI ARABIA EQUAL TO THAT AMOUNT OF THE ARAMCO SHIPMENT TO SAUDI ARABIA WHICH IS LATER SHIPPED TO THE U.S. MILITARY. HE FURTHER STATED THAT THIS LAST MAY NOT HAVE BEEN ALL INCLUSIVE AND IT WAS UP TO ARAMCO TO FURTHER REFINE THIS AS NECESSARY. OUR ROUGH CALCULATION OF THE AMOUNT OF THIS TOTAL EMBARGO WHICH IS IN ADDITION TO TEN PERCENT IS SLIGHTLY OVER ONE MILLION BBL/DAY. THE SAUDIS WERE THINKING IN TERMS OF 870,000/BBL/DAY AS A ROUGH NUMBER BUT THERE IS NO ROOM TO NEGOTIATE THIS. IT WILL HAVE TO BE THE ACTUAL NUMBER.

(5) SOME COUNTRIES ARE EXEMPT FROM THE TEN PERCENT CUTBACK. THEY ARE FRANCE, SPAIN, JORDAN, LEBANON, MALAYSIA, PAKISTAN, TUNISIA, UAR AND UNITED KINGDOM (HE STATED THIS LATTER COUNTRY IS EXEMPT FOR THE TIME BEING). THE AMOUNT OF OIL ALLOCATED TO THESE COUNTRIES WILL BE THE DAILY AVERAGE OF THE FIRST NINE MONTHS LISTINGS. THESE EXEMPTIONS WILL NOT REDUCE THE TOTAL CUTBACK; RATHER THE TOTAL REMAINING VOLUME AFTER SUPPLY THESE COUNTRIES WILL BE SPREAD PRORATA ACROSS ALL OTHER COUNTRIES OF DESTINATION WHO ARE NOT EXEMPT AND WILL THEREBY

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INCREASE THEIR CUTBACK PERCENTAGE.

(6) LPG PRODUCTION WILL BE ALLOWED TO CONTINUE AT ITS CURRENT RATE EXCEPT THAT NONE OF IT CAN BE EXPORTED TO THE U.S.

(7) THE CRUDE REDUCTION WILL GENERALLY BE IN PROPORTION TO THE GRADES PRODUCED IN SEPTEMBER. HE SAID HE REALIZED THAT THIS WOULD BE DIFFICULT BECAUSE OF THE COMPLEXITY OF ARRANGING SHIPMENTS TO THE VARIOUS COUNTRIES; THUS HE SAID THAT WE HAD FLEXIBILITY SO LONG AS WE DID NOT INCREASE ARABIAN LIGHT ABOVE ITS SEPTEMBER PROPORTION.

(8) ABU SAFAH IS TO BE TREATED AS ANY OTHER ARAMCO OIL FIELD.

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<< END OF DOCUMENT >>

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TAGS: ENRG, PFOR, SA, SV
To: STATE INFO ALGIERS
EC BRUSSELS
OECD PARIS
ABU DHABI
TEL AVIV
MANAMA
TRIPOLI

VIENNA
BEIRUT
KUWAIT
DHAHRAN
MOSCOW
TOKYO
TUNIS
AMMAN
LONDON
SANAA
ROME
CAIRO
Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005